

ASBESTOS CORPORATION LIMITED ■ ANNUAL REPORT 1967



Asbestos Corporation Limited

(Incorporated under the laws of Canada, 6 October 1925)



and Subsidiary Companies

Asbestos Corporation (Explorations) Limited

(Incorporated under the laws of Canada, 19 March 1951)

Asbestos Corporation Services Limited

(Incorporated under the laws of Canada, 6 July 1960)

Anchor Holdings Limited

(Incorporated under the laws of Bahama Islands, 25 January 1962)

General Minerals Beneficiation Limited

(Incorporated under the laws of Canada, 20 January 1953)

Hudson Strait Asbestos Limited

(Incorporated under the laws of the Province of Quebec, 17 January 1963)

ASBESTOS CORPORATION LIMITED

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Head Office, 522, Canada Cement Building
606 Cathcart Street, Montreal, Que.

TO BE HELD WEDNESDAY, APRIL 26th, 1967 AT 11:30 O'CLOCK IN THE FORENOON

NOTICE

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Asbestos Corporation Limited will be held at the Head Office of the Company, 522, Canada Cement Building, 606 Cathcart Street, Montreal, Quebec, on Wednesday the 26th day of April, 1967 at the hour of 11:30 o'clock in the forenoon, for the following purposes, that is to say:

1. To receive, consider and if deemed fit, approve the balance sheet, general statement of income and expenditure, statement of surplus, report of the auditors and report of the Directors of the Company for the fiscal year ended December 31st, 1966.
2. To elect Directors, including but without in any way limiting or restricting the generality of the foregoing seven Directors of the annual class and two Directors of the three-year class.
3. To appoint Auditors and to fix or to authorize the Board of Directors to fix their remuneration.
4. To transact such other business as may properly come before the meeting.
5. To adjourn the meeting from time to time and from place to place in such manner, with or without notice, as the meeting may see fit.

If you are unable to attend the meeting in person you are requested to execute and return the enclosed form of Instrument of Proxy addressed to the The Royal Trust Company, P.O. Box 730, Place d'Armes, Montreal 1, Quebec.

The Directors, in accordance with the By-laws of the Company, have by resolution determined that, in order to be valid, all proxies must be deposited with The Royal Trust Company, P.O. Box 730, Place d'Armes, Montreal 1, Quebec, not later than 5:00 o'clock in the afternoon on the 25th day of April 1967.

GIVEN at the City of Montreal this 27th day of February, 1967.

By Order of the Board of Directors,
I. C. CAMPBELL,
Secretary-Treasurer

ASBESTOS CORPORATION LIMITED

ASSEMBLÉE GÉNÉRALE ANNUELLE DES ACTIONNAIRES

Siège Social, 522, Edifice Canada Cement
606, rue Cathcart, Montréal, Québec

MERCREDI, LE 26IÈME JOUR D'AVRIL 1967, À 11 H. 30 DE L'AVANT-MIDI

AVIS

VEUILLEZ PRENDRE AVIS QUE l'assemblée générale annuelle des actionnaires d'Asbestos Corporation Limited sera tenue au siège social de la Compagnie, 522, Edifice Canada Cement, 606, rue Cathcart, Montréal, Québec, mercredi, le 26ième jour d'avril 1967, à 11 h. 30 de l'avant-midi aux fins suivantes :

1. Recevoir, étudier et, s'il y a lieu, approuver le bilan de la Compagnie, l'état général des revenus et dépenses, l'état du surplus, le rapport des vérificateurs ainsi que le rapport des administrateurs de la Compagnie pour l'année fiscale terminée le 31 décembre 1966;
2. Elire les administrateurs, y compris mais sans toutefois limiter ou restreindre la portée générale de ce qui précède, sept administrateurs de la classe annuelle et deux administrateurs de la classe de trois ans;
3. Nommer les vérificateurs et fixer ou autoriser le Conseil d'administration à fixer leurs rémunérations;
4. Régler toute autre affaire qui pourrait être régulièrement soumise à l'assemblée;
5. Ajourner l'assemblée, avec ou sans avis, de date en date et de lieu en lieu, de telle façon que l'assemblée peut juger à propos.

Si vous ne pouvez assister à l'assemblée générale annuelle, veuillez remplir, signer et retourner la formule de procuration ci-incluse à The Royal Trust Company C.P. 730, Place d'Armes, Montréal 1, Québec.

Conformément aux règlements de la Compagnie, les administrateurs ont, par résolution, déterminé que, pour être valides, les procurations doivent être transmises à The Royal Trust Company C.P. 730, Place d'Armes, Montréal 1, Québec, au plus tard à 5 h. du soir, le 25ième jour d'avril, 1967.

FAIT en la Cité de Montréal, ce 27ième jour de février 1967.

Par ordre du Conseil d'Administration,
Le Secrétaire-Trésorier,

I. C. CAMPBELL

Annual Report

and Statement of accounts for the year ended December 31, 1967

MAR 20 1968

Asbestos Corporation Limited

Head Office: 522 Canada Cement Building, 606 Cathcart Street, Montreal, Que., Canada

Board of Directors

W. A. Arbuckle*, President, Arbuckle, Govett & Co., Ltd., Montreal
Paul Bienvenu, President & General Manager, Catelli Food Products Ltd., Montreal
A. M. Campbell*, President, Sun Life Assurance Co. of Canada, Montreal
K. T. Dawes, Retired industrialist, Montreal
J. E. L. Duquet, Q.C.*, Senior Partner, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston, Montreal
André Emsens, Chairman, Compagnie Financière Eternit S.A., Bruxelles, Belgium
G. F. Jenkins, Retired executive, Knowlton
A. S. Johnson*, President, Johnson's Company Ltd., Thetford Mines
J. A. D. Marcotte, Special Assistant to President, Thetford Mines
C. E. Mooney, Vice-President, J. R. Mooney & Co., Toronto
W. W. Oughtred*, President & Chief Executive Officer, Thetford Mines
A. L. Penhale*, Chairman, Thetford Mines
Edward C. Wood*, Chairman, Sogemines Limited, Montreal
Honorary Director, Lt. Col. J. G. Ross, Seigniory Club, Que.

*Member of the Executive Committee

Officers of the Corporation

A. L. Penhale, Chairman
W. W. Oughtred, President and Chief Executive Officer
P. H. Riordon, Vice-President and General Manager
Kenneth T. Dawes, Vice-President
J. E. L. Duquet, Q.C., Vice-President and General Counsel
F. A. Cunningham, Vice-President — Operations
M. P. Carson, Vice-President — Sales
J. W. McCarvill, Vice-President — Administration
I. C. Campbell, Vice-President and Secretary-Treasurer
G. A. McCammon, Comptroller

Highlights of 1967

	1967
Sales	\$39,235,457
Income before Taxes	6,615,159
Provision for Taxes on Income	2,495,000
Income after Taxes	4,120,159
Dividends per:	
(a) Preferred Share	\$4.50
(b) Common Share	1.00
Earnings per:	
Common Share	\$1.50
Paid to Shareholders as Dividends:	
(a) Preferred Shares	\$ 247,500
(b) Common Shares	2,578,723
Reinvested in the Business	1,293,436
Working Capital	11,162,674
Depreciation & Depletion	2,500,000
Total Assets	79,293,518
Paid to Employees during year	³⁾ 14,966,839
Number of Employees	2,256
Number of Common Shareholders	7,275

Report of the Directors to the Shareholders

Montreal, March 15, 1968

Your directors submit the forty-second Annual Report of the Company and its subsidiary companies for the year ended December 31st, 1967 together with the consolidated balance sheet and statements of income and earned surplus, and source and application of funds for the year 1967 as reported upon by your auditors, Messrs. Price Waterhouse & Co.

Net income for the year was \$4,120,159 compared with the previous year when it stood at \$5,135,055. Dividends on the preferred stock in the amount of \$247,500, the same as last year, were paid and net earnings applicable to the common shares amounted to \$3,872,659, or \$1.50 per share, on the 2,581,180 outstanding common shares compared with \$4,887,555, or \$1.93 per share, on the 2,527,855 shares outstanding at the end of 1966.

It will be noted on the Consolidated Statement of Income & Earned Surplus that there is an item for 1967, "Expenses incurred in connection with the proposed issue of debentures and subsequent withdrawal thereof", amounting to \$436,850. This reduced net earnings per common share by eleven cents. This is a non-recurring item of expense representing the cost to the company of arranging during 1966 and 1967 for the private placement of \$33,000,000 of debentures. This issue was subsequently withdrawn. At the last annual meeting, the Shareholders were informed of the enormous increase in the capital cost of the Asbestos Hill Project brought about by the rapid and unforeseen escalation in the cost of construction. In addition, the uncertainty cre-

ated by the recommendations of the Royal Commission on Taxation, so far as they concerned the mining industry, also influenced the Directors in their decision to defer the project and cancel the financing arrangements.

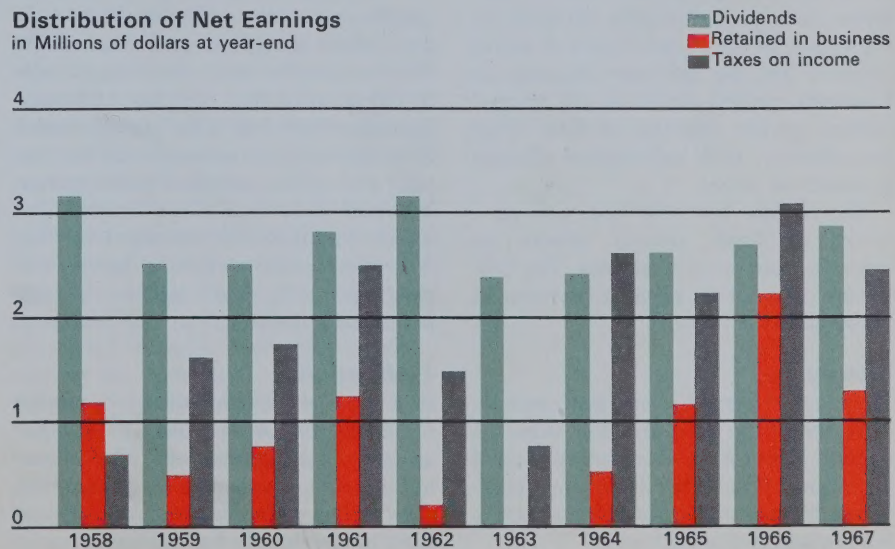
Since that time the Asbestos Hill Project has been on a care and maintenance basis pending the study of various means of bringing the property into production. Expenditures on the project during 1967 amounted to \$1,770,000; in 1968 costs are expected to be only a small portion of this amount. The decision of the Federal Government on the future taxation policy of the mining industry will have an important influence on the future of this development.

If the North is ever to become a useful and productive part of Canada,

governments will either have to provide the facilities which are normally considered as public services or else allow those who do provide them some form of compensatory tax relief. Government assistance, similar to that already extended and being extended to comparable projects in the Yukon and North West Territories could relieve the project of substantial capital costs of constructing the essential non-productive facilities such as docks, roads, community and recreational buildings and services.

The provision for depreciation and depletion was the same as last year. On the balance sheet the item "General Reserve" amounting to \$14,000,000 has been transferred to Earned Surplus and the adjustment made on the Consolidated Statement of Earned Surplus.

Distribution of Net Earnings
in Millions of dollars at year-end



	1958	1959	1960
Sales	\$21,383,914	\$22,151,118	\$23,974,714
Income before Taxes	4,743,769	4,676,379	5,089,814
Provision for Taxes on Income	609,000	1,619,000	1,830,000
Income after Taxes	4,134,769	3,057,379	3,259,814
Dividends per:			
(a) Preferred Share	—	—	—
(b) Common Share	\$1.75	\$1.40	\$1.50
Earnings per:			
Common Share	\$2.29	\$1.69	\$1.80
Paid to Shareholders as Dividends:			
(a) Preferred Shares	—	—	—
(b) Common Shares	\$ 3,150,000	\$ 2,520,000	\$ 2,520,000
Reinvested in the Business	1,070,110	537,379	739,814
Working Capital	6,569,042	8,491,871	9,047,714
Depreciation & Depletion	2,000,000	1,600,000	1,600,000
Total Assets	34,233,651	36,287,145	37,669,214
Paid to Employees during year	9,085,916	8,411,898	9,109,414
Number of Employees	1,995	1,796	1,800
Number of Common Shareholders	5,959	6,573	6,700

A Ten Year Summary

1961	1962	1963	1964	1965	1966	1967
\$26,992,884	\$25,027,044	\$23,004,983	\$37,491,304	\$33,232,846	\$39,166,628	\$39,235,457
6,623,684	4,805,633	2,825,424	5,726,871	6,036,028	8,235,055	6,615,159
2,538,000	1,528,000	899,000	2,722,200	2,300,000	3,100,000	2,495,000
4,085,684	3,227,633	1,926,424	3,004,671	3,736,028	5,135,055	4,120,159
—	—	—	\$3.38 ⁽¹⁾	\$4.50	\$4.50	\$4.50
\$1.60	\$1.60	\$1.15	1.00	1.00	1.00	1.00
\$2.04	\$1.64	\$0.96	\$1.17	\$1.41	\$1.93	\$1.50
—	—	—	\$ 185,625 ⁽¹⁾	\$ 247,500	\$ 247,500	\$ 247,500
\$ 2,880,000	\$ 3,200,000	\$ 2,300,000	2,301,491	2,465,367	2,524,967	2,578,723
1,205,684	77,632	(373,576) ⁽²⁾	517,555	1,023,161	2,362,588	1,293,436
11,612,935	9,980,413	9,669,820	9,277,818	9,048,876	10,832,471	11,162,674
1,850,000	1,750,000	1,750,000	2,350,000	2,650,000	2,500,000	2,500,000
39,107,197	45,968,591	44,888,886	70,882,402	71,321,406	76,380,296	79,293,518
9,210,596 ⁽³⁾	9,881,355 ⁽³⁾	9,930,950 ⁽³⁾	12,604,010 ⁽³⁾	12,620,260 ⁽³⁾	13,794,636 ⁽³⁾	14,966,839
1,836	1,910	1,979	1,986	2,162	2,303	2,256
6,622	6,605	7,028	7,387	7,253	7,540	7,275

() Denotes Negative Figures. (1) 9 months only. (2) Reduction in earned surplus. (3) Corrected to exclude fringe benefits.

Sales

The lower earnings for the year were mainly attributable to the fact that the anticipated increase in sales did not take place, and with substantially increased costs of about 7% in wages and salaries and 4% in materials and supplies, profits declined. Production, based on the expectation of higher demand, resulted in a substantial increase in fibre inventory. Had markets not been adversely affected as indicated below and all production sold, it is estimated that earnings would have been 30% higher.

Throughout the first half of 1967, prospects were most encouraging, but in the latter half of the year there was a general slow-down in the purchase of asbestos fibre throughout most of the trading world. There was evidence of substantial reductions in customers' inventories and competition was keen. There was no noticeable increase in the export of fibre from Russia to world markets but the political situation in Rhodesia created a shift in the normal pattern of the disposal of fibre from that country, with subsequent adverse pressure on prices.

The Middle East war had, and continues to have, serious effects on asbestos markets in that area. The U.S. Market was off as a result of reduced construction activity.

Operations

All mines operated at or near capacity throughout the year and the value of overall asbestos production increased by about 5%. The following table shows comparative production statistics for the past two years:

	1967	1966
Stripping (cu. yds.)	806,000	984,000
Barren Rock Mined (tons)	15,470,000	15,907,000
Ore Processed (tons)	8,545,000	8,091,000
Average daily tonnage of rock mined	81,451	80,428*
Average daily tonnage of ore processed	29,213	27,008

*Corrected figure.

Considerable work in improving all phases of your company's mining and milling operations was undertaken during the year. Additional heavy mining equipment was purchased for the King-Beaver Mine and underground development was accelerated. The mill expansion programme at this property was completed in May of 1967 and, with the concurrent alterations in the milling circuits, improvements in production, quality and recovery were achieved. At the British-Canadian and Normandie Mines, production was fractionally higher in value than in 1966. At British-Canadian Plant No. 2 the aspiration and filter system was enlarged during the year and a new tailings disposal system is under construction to replace that which was partially destroyed by fire. Alterations with a view to further improving quality and capacity at this plant were underway at the year end.

Exploration

As a result of the continuing programme of evaluation of ore reserves at your company's properties, and after allowing for ore consumed by operations during the year, reserves were calculated at the year end as follows:

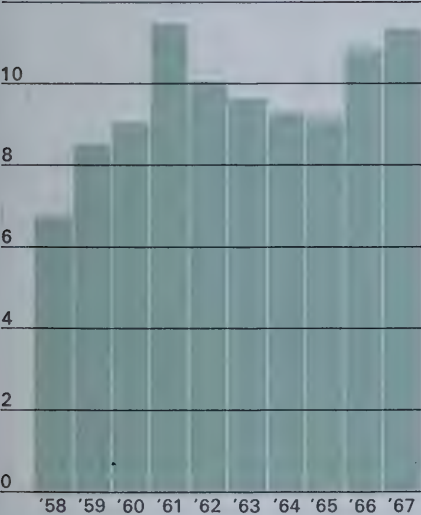
	1967 (tons)	1966 (tons)
King-Beaver Mine	45,942,000	45,046,000
British-Canadian Mine	70,460,000	73,941,000
Normandie Mine	11,550,000	15,185,000
Asbestos Hill	18,738,000	18,738,000
Other Properties	14,473,000	14,102,000
Total:	161,163,000	167,012,000

As indicated in last year's report, additional probable ore on the company's property amounting to more than 36,000,000 tons is indicated in the Thetford/Black Lake area and there are a further 60,000,000 tons classified as possible ore. No further evaluation has been carried out on the Asbestos Hill orebody and accordingly the estimate of reserves at that property has not been changed, but 18,738,000 tons can be considered as a minimum. Exploratory diamond drilling at the site of your company's major operations amounted to 27,628 feet this past year compared with 46,430 feet in 1966.

Your company, through the medium of its wholly owned subsidiary Asbestos Corporation (Explorations) Limited, continued its activities in the field of mineral exploration, both in Canada and elsewhere and is currently participating in five joint ventures involving uranium, base metal and asbestos prospects. Independently, twenty-one different prospects were examined in the course of the year and further work will be done during 1968 on the more promising properties. The Vancouver office of the Explorations company was closed during the year and exploration activities are now being directed from the Toronto office of that company.

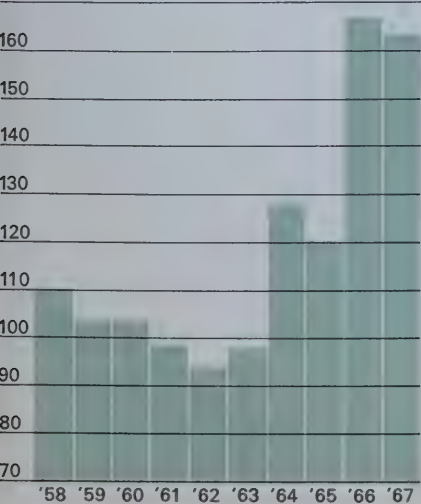
Working Capital

Millions of dollars at year-end
12



Ore Reserves

Millions of tons at year-end
170



General

In last year's report it was pointed out that although the labour contract between the company and its hourly employees would not expire until December 31st, 1967, a request for the re-opening of the contract had been received. Subsequently a new two-year contract expiring on December 31st, 1968 was negotiated, providing for higher wage rates for the years 1967 and 1968 which amounted in the aggregate to a 15.4% increase over the two-year period.

At the Annual General Meeting of Shareholders in April 1967, Mr. A. L. Penhale, President of the company, announced his retirement from that office and at the subsequent meeting of the Board of Directors, Mr. Penhale was elected Chairman and Mr. W. W. Oughtred, formerly Executive Vice President, was elected President and Chief Executive Officer of the company. At the same meeting Dr. P. H. Riordon was appointed Vice President and General Manager, and Mr. F. A. Cunningham, Production Manager, was named Vice President — Operations to succeed Dr. Riordon.

In September 1967, Mr. J. R. Mooney, a director and member of the Executive Committee passed away suddenly. His untimely death leaves his colleagues on the Board with a keen sense of personal loss and his valuable contribution to the company's welfare will be sadly missed. His brother, Mr. C. E. Mooney of Toronto, was appointed a Director of the company to replace him. Mr. A. S. Johnson was elected to the Executive Committee to fill the vacancy created by the death of Mr.

Mooney.

Political and economic uncertainties both here and abroad make any forecast for the future very difficult at this time, particularly for the short term. Provided that there is no spread of hostilities in the East, no new barriers to free trade or deterioration in general world economic conditions, it is expected that 1968 may be somewhat better than 1967. The longer term outlook remains good.

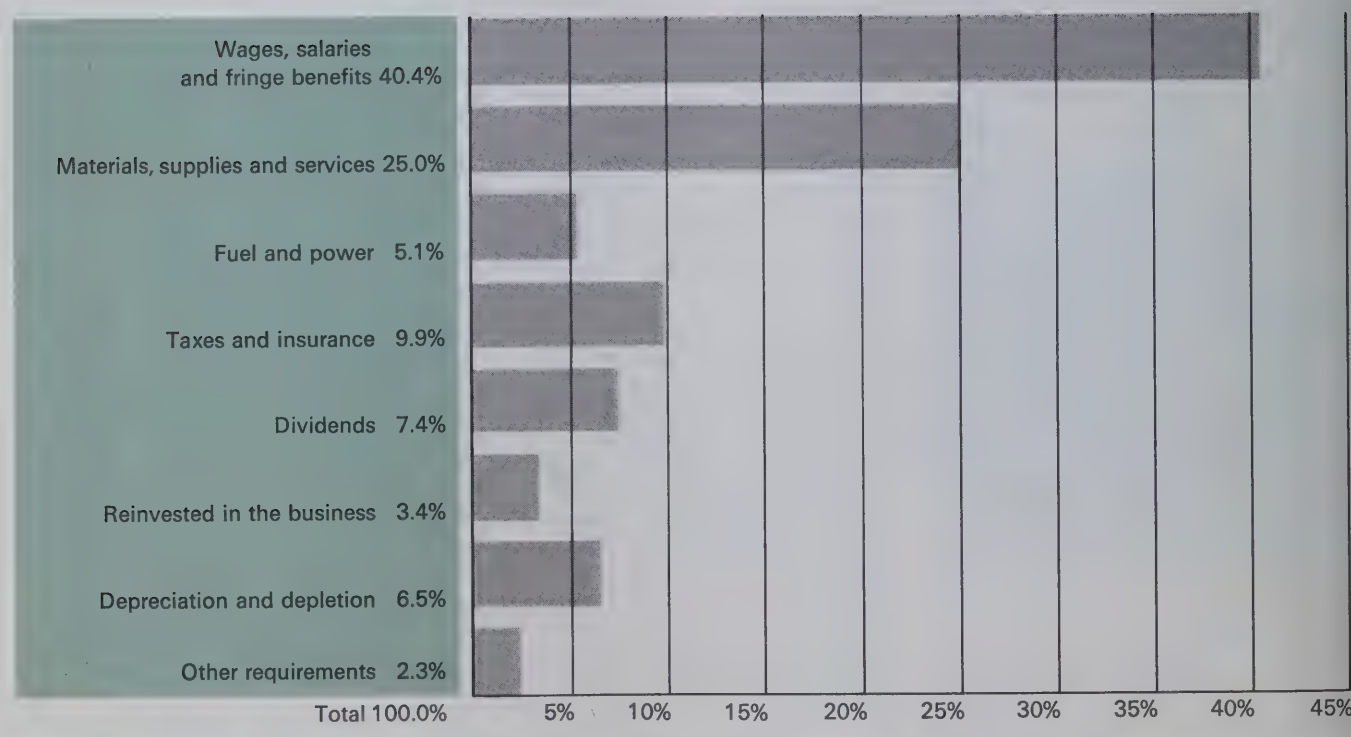
Your Directors take this opportunity to record their grateful appreciation of the support received from employees during the past year.

On behalf of the Board of Directors,

A. L. PENHALE,
Chairman

W. W. OUGHTRED,
President and Chief Executive Officer

Distribution of Income Dollar



Asbestos Corporation Limited and Subsidiary Companies

Consolidated statement of income and earned surplus year ended December 31, 1967

		1967	1966
Sales		\$39,235,457	\$39,166,628
Cost of sales including selling, general and administrative expenses		<u>29,644,247</u>	<u>28,391,904</u>
Operating profit before taking into account the undernoted items		9,591,210	10,774,724
Income from investments		263,494	348,977
Miscellaneous income		<u>144,804</u>	<u>225,792</u>
		9,999,508	11,349,493
Directors' fees and remuneration of officer directors	\$ 165,800	\$ 184,550	
Exploration and prospecting expenses	223,494	429,888	
Provision for depreciation	2,200,000	2,200,000	
Provision for depletion	300,000	300,000	
Interest expense	58,205	—	
Expenses incurred in connection with the proposed issue of debentures and subsequent withdrawal thereof	<u>436,850</u>	<u>3,384,349</u>	<u>3,114,438</u>
		6,615,159	8,235,055
Provision for current taxes on income	1,640,000	1,565,000	
Tax applicable to future years (Note below)	<u>855,000</u>	<u>2,495,000</u>	<u>3,100,000</u>
Net income		4,120,159	5,135,055
Earned surplus, January 1		<u>14,508,366</u>	<u>12,145,778</u>
		18,628,525	17,280,833
Transfer of General Reserve		<u>14,000,000</u>	<u>—</u>
		32,628,525	17,280,833
Dividends —			
Preferred	247,500	247,500	
Common	<u>2,578,723</u>	<u>2,826,223</u>	<u>2,772,467</u>
Earned surplus, December 31		<u>\$29,802,302</u>	<u>\$14,508,366</u>

Note:

Capital cost allowances and exploration and development costs which are being claimed as deductions from taxable income of this year exceed in total the amount recorded in the above statement. The related tax deferment of \$855,000 is treated as tax applicable to future years.

Asbestos Corporation Limited and Subsidiary Companies

Consolidated Balance Sheet as at December 31, 1967

Assets	1967	1966
CURRENT ASSETS:		
Cash	\$ 209,034	\$ 1,163,525
Short-term investments, at cost	—	2,066,924
Accounts and bills receivable, less allowance for doubtful accounts	10,731,733	8,053,697
Inventories of stocks on hand —		
Asbestos, valued at the lower of cost or net realizable value	4,450,238	2,948,961
Materials and supplies, at cost	2,329,038	2,209,348
Prepaid taxes, insurance, etc.	293,160	101,071
	<u>18,013,203</u>	<u>16,543,526</u>
INVESTMENTS AND ADVANCES:		
Shares of foreign companies, at cost	7,433,660	7,433,660
Employees' mortgages	310,995	296,771
Advance to trustees for employees' stock purchase plan (Note 1)	186,142	289,912
Special refundable tax	337,314	232,000
	<u>8,268,111</u>	<u>8,252,343</u>
PROPERTIES, at cost:		
Land and mineral areas	7,992,548	8,075,350
Less: Accumulated depletion	2,967,847	2,667,847
	<u>5,024,701</u>	<u>5,407,503</u>
Buildings, plant and equipment	52,146,221	50,061,461
Less: Accumulated depreciation	28,370,384	26,325,828
	<u>23,775,837</u>	<u>23,735,633</u>
	<u>28,800,538</u>	<u>29,143,136</u>
MINERAL AREAS UNDER DEVELOPMENT IN UNGAVA (Note 2):		
Mining rights, licences, etc.	11,351,766	11,351,766
Exploration, development and construction costs	14,948,599	13,178,224
	<u>26,300,365</u>	<u>24,529,990</u>
Less: Credit arising on exchange of common shares for mineral areas	2,088,699	2,088,699
	<u>24,211,666</u>	<u>22,441,291</u>
	<u>\$79,293,518</u>	<u>\$76,380,296</u>

Liabilities	1967	1966
CURRENT LIABILITIES:		
Bank loan	\$ 900,000	\$ —
Accounts payable and accrued liabilities	4,344,133	3,334,002
Income and other taxes	1,156,396	927,053
Current portion of deferred liability	450,000	450,000
Note payable	—	1,000,000
	<u>6,850,529</u>	<u>5,711,055</u>
DEFERRED LIABILITY—final instalment payable in 1968 transferred to current liabilities	<u>—</u>	<u>450,000</u>
INCOME TAXES APPLICABLE TO FUTURE YEARS	<u>8,460,000</u>	<u>7,605,000</u>
PURCHASE CONSIDERATION — satisfied by issue of common shares in 1967	<u>—</u>	<u>1,000,000</u>
CAPITAL STOCK (Note 3):		
4 ¹ / ₂ % Cumulative convertible redeemable preferred shares — par value \$100 — 55,000 shares authorized and outstanding	5,500,000	5,500,000
Common shares of no par value — 2,581,180 shares outstanding	27,680,687	26,605,875
	<u>33,180,687</u>	<u>32,105,875</u>
GENERAL RESERVE — transferred to earned surplus	<u>—</u>	<u>14,000,000</u>
SURPLUS:		
Distributable surplus	1,000,000	1,000,000
Earned surplus, per statement attached	29,802,302	14,508,366
	<u>30,802,302</u>	<u>15,508,366</u>
Approved on Behalf of the Board:		
A. L. PENHALE, Director		
W. W. OUGHTRED, Director		
	<u>\$79,293,518</u>	<u>\$76,380,296</u>

Asbestos Corporation Limited and Subsidiary Companies

Consolidated statement of source and application of funds year ended December 31, 1967

	1967	1966
Source of funds:		
From operations —		
Net income for the year	\$4,120,159	\$ 5,135,055
Depreciation and depletion	2,500,000	2,500,000
Income taxes applicable to future years ..	855,000	1,535,000
	<u>7,475,159</u>	<u>9,170,055</u>
Common shares issued under employees' stock purchase plan	74,812	156,938
	<u>\$7,549,971</u>	<u>\$ 9,326,993</u>
Application of funds:		
Additions to properties and mineral areas under development	\$3,927,777	\$ 9,129,655
Decrease in deferred liability	450,000	450,000
Increase in investments and advances	15,768	291,951
Dividends paid — preferred	247,500	247,500
Dividends paid — common	<u>2,578,723</u>	<u>2,524,967</u>
	7,219,768	12,644,073
Increase (decrease) in working capital and special funds	330,203	(3,317,080)
	<u>\$7,549,971</u>	<u>\$ 9,326,993</u>



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Asbestos Corporation Limited and Subsidiary Companies

Notes to Consolidated Financial Statements December 31, 1967

Note 1—Stock Purchase Plan:

Under the stock purchase plan approved by shareholders, rights may be granted to trustees to purchase with funds advanced by the company, repayable with interest, up to 75,000 of the company's common shares on behalf of a number of its officers and employees. Rights which expire over a period of five years were granted in 1964 to 67 officers and employees on 52,500 shares at a price of \$22.50 per share. During 1967 rights on 3,325 shares were exercised. At December 31, 1967 rights to purchase 10,120 shares were outstanding, of which 4,440 were granted to officers, including those who are also directors.

Note 2—Mineral Areas Under Development in Ungava:

Work on the development of the mineral areas in Ungava which envisaged a mine and mill of an initial capacity of 100,000 tons of asbestos per annum was suspended in 1967, pending the results of a further review of the scope of the project and the related costs and financing arrangements.

Note 3—Capital Stock:

The preferred shares are convertible into common shares at the rate of \$22.00 per common share up to April 30, 1974 and thereafter will be redeemable at par.

Changes during 1967 in the outstanding common shares were as follows:

	Shares	
Authorized	<u>3,600,000</u>	
Outstanding at December 31, 1966	2,527,855	\$26,605,875
Issued in 1967 —		
As part of the purchase consideration for properties acquired in 1964	50,000	1,000,000
On exercise of rights under employees' stock purchase plan	<u>3,325</u>	<u>74,812</u>
Outstanding at December 31, 1967	<u>2,581,180</u>	<u>\$27,680,687</u>

250,000 unissued common shares are reserved for conversion of preferred shares, and 10,120 shares are reserved for the stock purchase plan.



Auditors' Report

**To the Shareholders of
Asbestos Corporation Limited:**

We have examined the consolidated balance sheet of Asbestos Corporation Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of income and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

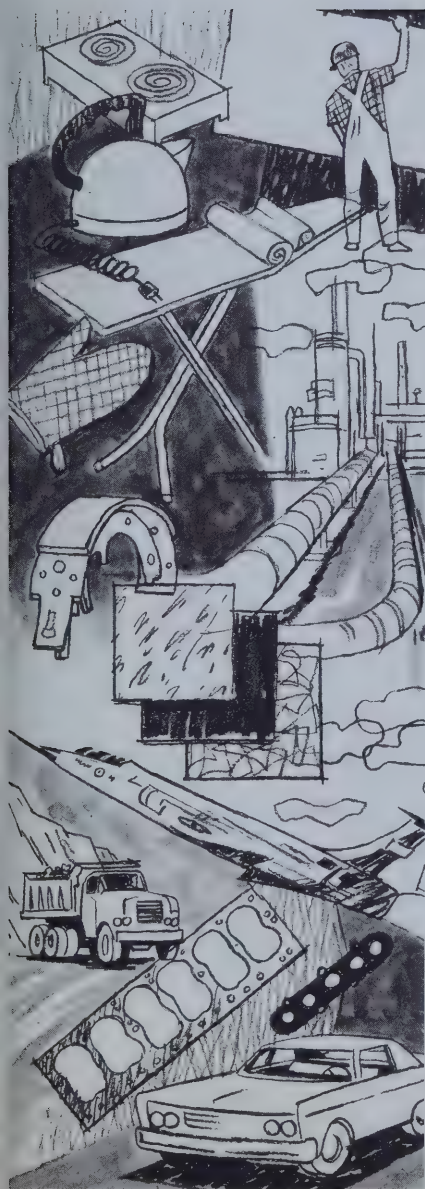
In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

Montreal 2, January 24, 1968

Asbestos — The Versatile Mineral



There are many adjectives which can be applied to asbestos as a mineral. It is certainly unique — it is virtually indispensable — in many of its applications it is invisible — in most, it is protective: but of any, perhaps the word versatile is the most accurate.

In automobiles or ash trays, in airplanes or aprons, in pipe lines or pot holders, you may find asbestos. In industry or in the home, asbestos is an important component of many manufactured products.

In the home, asbestos is frequently found in one or more of the many building materials used in its construction — such as asbestos cement shingles, asbestos roofing materials, plaster, wall-board, asphalt or vinyl tiles, insulation for the heating system and the hot water supply. For the housewife, asbestos is useful too; many of the domestic electrical appliances commonly employed in the modern home rely on asbestos insulation for safe and economical operation. Pot holders — yes — but also pot handles and ironing board covers as well as the electric iron itself usually contain asbestos.

Industrially, its uses are equally varied, whether it be for inexpensive durable construction as in asbestos cement flat and corrugated sheets, for the insulation of high temperature furnaces, boilers and pipe lines, in packings for machinery or special greasing compounds for their lubrication, you will find asbestos playing an important part.

It is generally known that there are asbestos brake linings on millions of automobiles, trucks and buses on the


road but perhaps not realized that clutch facings, gaskets and the undercoating on these vehicles also have asbestos in them.

The advantages of asbestos cement high pressure pipe for carrying urban water supplies are widely recognized but the fact that hundreds of miles of oil pipe lines are wrapped with asbestos paper for their protection against corrosion is not common knowledge.

The use of asbestos textiles in making fireproof theatre curtains and fire-fighting suits is universally accepted but their extensive use in marine insulation is perhaps not suspected.

Moreover, the majority of the hundreds of asbestos products in use today have been developed within the past half century and new applications for this truly remarkable material are confidently expected in the future, further to justify the description — the versatile mineral.

"Asbestos—World Traveller"



Approximately 40% of the world's requirements of chrysotile asbestos is produced in Canada and about 90% of this comes from the Province of Quebec. Despite this preponderance of Quebec asbestos in world markets, very little of it, only 4.3%, is consumed in Canada. The balance is distributed throughout the world to more than 70 different countries.

Your company ships to most of these and the following tabulation indicates the percentage distribution by tons of the company's shipments to the major geographical areas of the world during 1967:

Canada	1.8%
U.S.A.	18.6%
United Kingdom	10.8%
Europe	30.5%
Latin America	9.7%
Africa	1.0%
Asia	22.3%
Australasia	5.3%
	<hr/> 100.0%

Within many of these main geographical areas, there are of course various countries each with their own economic problems. Within these countries themselves there are the numerous different product markets into which Canadian asbestos enters in competition with fibre from other sources. Truly the marketing of asbestos is both international and complex.



Asbestos Corporation Limited

A. L. Penhale Chairman
W. W. Oughtred President and Chief Executive Officer
P. H. Riordon Vice-President and General Manager
K. T. Dawes Vice-President
J. E. L. Duquet, Q.C. Vice-President and General Counsel
J. A. D. Marcotte Special Assistant to the President

Operations Division

F. A. Cunnington Vice-President — Operations

PRODUCTION DEPARTMENT — THETFORD MINES

C. G. Bourne Manager
M. L. Trépanier Plant Manager, King-Beaver Mine
R. W. Little Plant Manager, British Canadian Mine
W. B. Callan Plant Manager, Normandie Mine

PRODUCT RESEARCH AND DEVELOPMENT DEPARTMENT

G. F. A. Brink Manager

ENGINEERING DEPARTMENT

W. H. Foster Manager
J. M. Smith Chief Mining Engineer
M. K. Senicie Chief Milling Engineer
H. N. Young Chief Mechanical Engineer
E. W. O'Brien Chief Electrical Engineer
A. W. Dean Chief Geological Engineer

ASBESTOS HILL PROJECT

F. E. Thurston Manager
E. L. Alexander Resident Manager

Sales Division

M. P. Carson Vice-President — Sales

SALES DEPARTMENT

A. C. Steele Regional Sales Manager
J. W. G. Gibb Regional Sales Manager
P. E. Leclerc Regional Sales Manager
A. S. Johnson, Jr. Regional Sales Manager
M. C. Pharo Technical Sales Manager

TRAFFIC DEPARTMENT

G. R. Biron Manager

Administrative Division

J. W. McCarvill Vice-President — Administration

ACCOUNTING DEPARTMENT

G. A. McCammon Comptroller

INDUSTRIAL RELATIONS DEPARTMENT

J. G. Mooney Industrial Relations Manager
J. Camiré Personnel Manager

PURCHASING DEPARTMENT

J. Y. Paquet Purchasing Agent

Corporate and Financial Division

I. C. Campbell Vice-President and Secretary-Treasurer
J. D. Najar Asst. Secretary
L. Dostie Asst. Treasurer

Subsidiary Companies

ASBESTOS CORPORATION (EXPLORATIONS) LIMITED

E. G. Robinson Regional Manager — Toronto



Bankers:

The Royal Bank of Canada, Montreal

Transfer Agents:

Preferred and Common Stock,
The Royal Trust Company,
Montreal, Toronto & Calgary

Registrar:

Preferred Stock:
Montreal Trust Company, Montreal

Common Stock:
Crown Trust Company, Montreal,
Toronto & Calgary

General Counsel:

Duquet, MacKay, Weldon, Bronstetter,
Willis & Johnston, Montreal

Auditors:

Price Waterhouse & Co., Montreal

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